

Social Security Retirement Earnings Test (RET): Earnings Exemption for COVID-19-Related Work Response

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In response to the coronavirus (COVID-19) outbreak, some state and local officials (e.g., [New York State](#)) have called on retired healthcare workers to return to work and help treat the influx of patients. If those retired workers are receiving Social Security benefits and are under the Social Security full retirement age (FRA; [between 65 and 67, depending on year of birth](#)), the Retirement Earnings Test (RET) may reduce their Social Security benefits if their earnings exceed certain annual thresholds. It is not well known that beneficiaries recoup their benefits when they reach FRA. Therefore, in response to RET concerns that may discourage retired healthcare workers from providing needed services to the increasing number of COVID-19 patients, the Health Care Worker and First Responder Social Security Beneficiaries Choice Act (H.R. 6428) has proposed to exempt the earnings of individuals employed in the healthcare workforce or as a first responder in 2020 from the RET.

Retirement Earnings Test

Social Security retired-worker benefits are first payable at age 62. Social Security retirement benefits received between age 62 and FRA are generally subject to an [actuarial reduction for early retirement](#) and may be reduced by the RET if the beneficiary has earnings that exceed [the annual thresholds](#). The [original RET objective](#) was to ensure that no Social Security benefits would be paid before a person had “retired from gainful employment.” In 2020, a beneficiary who is below FRA and will not attain FRA during the year is subject to a \$1 reduction in benefits for every \$2 of earnings above \$18,240. A beneficiary who will attain FRA in 2020 is subject to a \$1 reduction in benefits for every \$3 of earnings above \$48,600.

If a beneficiary is affected by the RET, his or her monthly Social Security benefit may be reduced, in part or in full, depending on the total applicable reduction. The RET affects [spousal and children’s benefits](#), which are based on the beneficiary’s work record, but does not apply to [Social Security disability beneficiaries](#), who are subject to [separate limitations on earnings](#).

A less widely understood RET feature is that beneficiaries recoup the benefit lost due to the RET. For example, a RET-affected beneficiary’s monthly benefit is recomputed, and the dollar amount of the

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monthly benefit is *increased* based on months subject to the RET, when he or she attains FRA. [This benefit recomputation at FRA](#) adjusts (lessens) the actuarial reduction for RET for early retirement.

The Social Security Administration's (SSA's) [Office of the Chief Actuary \(OCACT\)](#) estimates that about 520,000 beneficiaries below FRA would have their benefits reduced or completely withheld due to the RET in 2019.

Effects of Eliminating the RET for All Retired-Worker Beneficiaries

In 2000, P.L. 106-182, the most recent legislative RET change, eliminated the RET for beneficiaries beginning with the month they attain FRA. [Quantitative studies](#) based on historical data imply that eliminating the RET for all beneficiaries would likely result in

- a small group of *nonworking* early retirees choosing to go back to work;
- working early retirees receiving benefits without the RET reduction, and those with earnings below the annual thresholds choosing to work more hours, whereas a small group with Social Security benefits that were previously withheld by the RET choosing to work less hours; and
- certain workers who initially planned to retire later choosing to continue working and receiving Social Security benefits early without the RET reduction, but then being subject to the permanent actuarial reduction for receiving Social Security benefits before FRA.

The [OCACT](#) estimated that eliminating the RET in 2020 for *all* retired-worker beneficiaries under FRA would cost \$20.4 billion in that year as a result of the populations who would receive higher benefits as explained above. Under a RET repeal, many affected retired-worker beneficiaries would receive a permanent reduction in their monthly benefits (due to claiming benefits before their FRA) and would not receive an increase in the benefit recomputation at FRA, thus their monthly benefit amount would be lower for the rest of their lives. This would likely reduce the Social Security program cost in the long run, but it would likely increase poverty rates among the older population ([Anzick and Weaver, 2000](#) and [Figinski and Neumark, 2015](#)).

COVID-19-Related Work Responses and the RET

In response to the COVID-19 outbreak, tentatively suspending the RET for medical workers would likely encourage certain retired healthcare providers who had claimed Social Security benefits before their FRA to go back to work. It could also encourage some retirees who are currently receiving Social Security benefits before their FRA and working below the RET earnings thresholds to work more hours. It may also provide an incentive for some medical workers (typically between age 62 and FRA) to claim Social Security benefits early, resulting in permanent actuarial reduction in their monthly benefits (to take into account the longer expected period of benefit receipt). After the suspension period, benefits would be reduced by the resumed RET for those continuing to work above the annual thresholds, but increased accordingly after FRA based on a recomputation.

In addition to healthcare professionals, other retired workers—including certain public safety officers, emergency management personnel, scientists, researchers, and individuals—who had claimed Social Security benefits before their FRA may also go back to work to meet the essential needs of the American public during the COVID-19 outbreak. H.R. 6428 would direct the Commissioner of Social Security to determine who would be considered “first responders” to COVID-19 and qualified for the temporary RET exemption in 2020.

For current RET reductions, SSA generally relies on [total earnings from all employment](#) without identifying the types of those earnings. Exempting certain types of earnings from the RET may require

SSA to identify earnings based on types of employers and work. It is not clear if SSA's earnings records contain sufficient details to make such determinations. Alternatively, SSA may base the RET exemption on self-reported beneficiary information to determine if their earnings are related to the COVID-19 work response. Such self-reports may be subject to errors and misreporting and therefore may lead to overpayments or underpayments.

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